

Rinnai

**Financial Results for First Quarter of
Fiscal 2019, ending March 31, 2019**

August 3, 2018

Fiscal 2019 (1Q) : Consolidated Highlights

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Net sales: ¥79.2 billion (up 4.2% year on year)

Record-high level

Revenue up thanks to healthy overseas performance, especially in China

Operating income: ¥ 5.5 billion

(down 14.0%; operating margin: 7.0%)

Down due to sluggish domestic sales of high-value-added products, despite higher overseas income

Ordinary income: ¥ 6.4 billion

(down 8.4%; ordinary income ratio: 8.2%)

Decline due to fall in operating income, despite foreign exchange gain

Net income attributable to owners of the parent company: ¥ 4.1 billion

(down 9.6%; return on sales: 5.2%)

Down due to decline in ordinary income

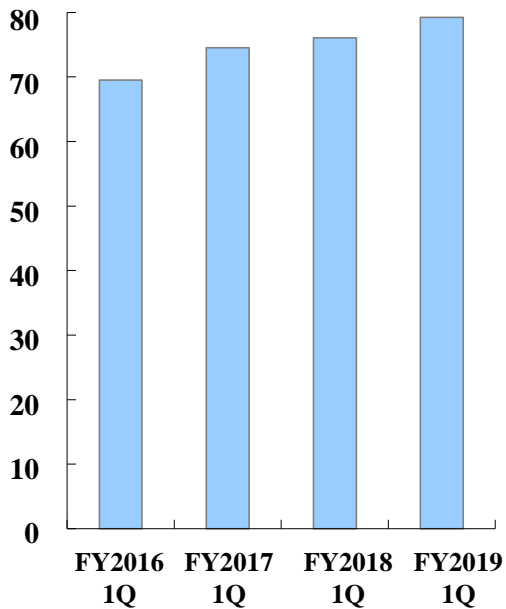
Fiscal 2019 marks the beginning of new medium-term business plan, **G-shift 2020**. For the quarter, we achieved record-high net sales, but profits fell below projections.

Rinnai Italia now a consolidated subsidiary, effective fiscal 2019.

Consolidated Financial Results (1Q)

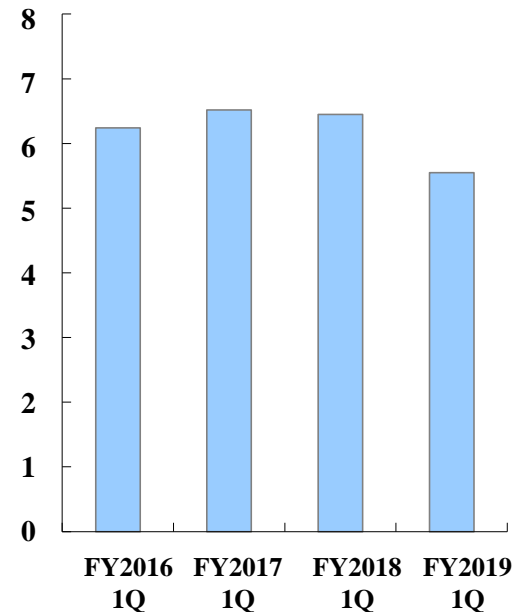
Net Sales

[Billions of Yen]



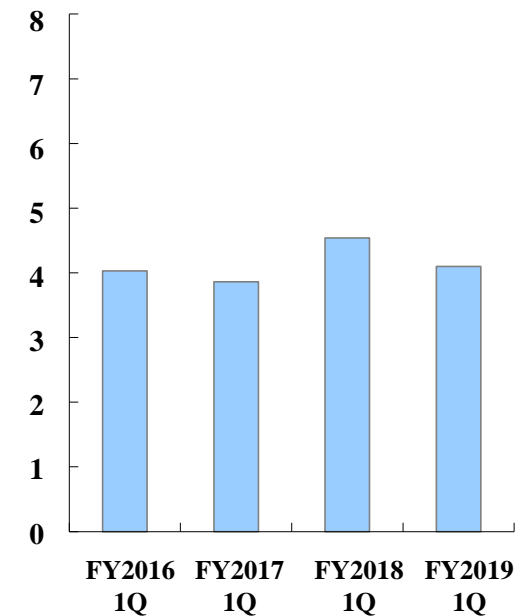
Operating Income

[Billions of Yen]



Net income attributable to owners of the parent company

[Billions of Yen]



- Net sales up year on year for the sixth consecutive period, reaching record high
- Income sluggish despite remaining at high level

Fiscal 2019 (1Q): Net Sales by Product

[Billions of Yen]	Fiscal 2018 1Q		Fiscal 2019 1Q		YOY Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Water heaters	44.89	59.0%	47.85	60.4%	+2.95	+6.6%
Kitchen appliances	19.17	25.2%	19.38	24.5%	+0.21	+1.1%
Air conditioning appliances	3.30	4.3%	2.94	3.7%	- 0.36	- 10.9%
Commercial-use equipment	2.30	3.0%	2.25	2.9%	- 0.04	- 2.1%
Others	6.36	8.4%	6.82	8.6%	+0.45	+7.1%
Total	76.05	100.0%	79.26	100.0%	+3.21	+4.2%

Fiscal 2019 (1Q): Consolidated Sales/Income Results 4

[Billions of Yen]	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Consolidated	79.26	+4.2%	5.55	-14.0%	7.0%	-1.5P



	Net Sales	YOY Change	Operating Income	YOY Change	Operating Margin	YOY Change
Rinnai	46.22	+4.2%	2.06	-34.7%	4.5%	-2.7P
Domestic	29.49	+5.1%	0.59	+4.4%	2.0%	-0.0P
Overseas	42.65	+12.0%	2.98	+13.4%	7.0%	+0.1P
Total	118.37	+7.1%	5.64	-11.3%	4.8%	-1.0P

Fiscal 2019 (1Q): Net Sales by Region

[Billions of Yen]	Net Sales			Operating Income		
	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change
Japan	39.90	38.64	-3.1%	3.72	2.61	-29.8%
United States	6.60	6.93	+5.1%	0.29	0.40	+36.6%
Australia	5.13	4.96	-3.3%	0.21	0.16	-22.0%
China	9.38	12.38	+32.0%	0.85	1.05	+23.4%
South Korea	8.43	8.85	+5.0%	0.22	0.33	+51.3%
Indonesia	2.36	2.58	+9.3%	0.37	0.30	-19.7%
Others	4.24	4.90	+15.5%	0.63	0.72	+14.6%
Total	76.05	79.26	+4.2%	6.45	5.55	-14.0%

Performance

[Billions of Yen]	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change
Net Sales	44.38	46.22	+4.2%
Operating Income	3.15	2.06	-34.7%

Main Products (Domestic Sales)

[Sales Volume]	YOY Change
Water heater with heating system (including hybrid water heater)	+29.9% (+1.9%)
Water heater with bath-filling system	-2.1%
Built-in hobs (stovetops)	-4.5%



Hybrid Water Heater with Heating Systems



Water heater with bath-filling system



Built-in hobs (stovetops)



Gas clothes dryer



Dishwasher/dryers



Range hoods

Rinnai America, Fiscal 2019 (1Q) Results

Performance

Established: 1974

[Billions of Yen]	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change	Local currency basis YOY Change
Net Sales	6.60	6.93	+5.1%	+9.9%
Operating Income	0.29	0.40	+36.6%	+42.8%

Main Products

[Sales Volume]

YOY Change

Tankless water heaters

+9.9%



Tankless water heaters



Commercial-use water heaters



Fan-forced heaters

Rinnai Australia, Fiscal 2019 (1Q) Results

Performance

Established:1971

[Billions of Yen]	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change	Local currency basis YOY Change
Net Sales	5.15	4.98	-3.2%	-2.8%
Operating Income	0.27	0.22	-17.5%	-17.2%

* Weak sales of room heaters due to warm winter

Main Products

[Sales Volume]	YOY Change
Tankless water heaters	+4.6%
Electric tank-based water heater	+19.9%
Duct-type air-conditioning and heating system	+3.2%

Tankless water heaters



Duct-type air-conditioning and heating system



Electric tank-based water heater

Shanghai Rinnai, Fiscal 2019 (1Q) Results

Performance

Established:1993

[Billions of Yen]	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change	Local currency basis YOY Change
Net Sales	9.77	12.69	+29.9%	+25.5%
Operating Income	0.83	0.98	+18.9%	+14.9%

Main Products

[Sales Volume]	YOY Change
Water heaters	-2.3%
Stoves	+48.9%
Range hood	+26.6%
Boilers	+252.6%



Boilers



Built-in hobs
(stovetops)



Gas water heater



Range hood

Rinnai Korea , Fiscal 2019 (1Q) Results

Performance

Established:1974

[Billions of Yen]	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change	Local currency basis YOY Change
Net Sales	8.36	8.78	+5.0%	+1.5%
Operating Income	0.14	0.25	+71.8%	+66.1%

Main Products



Gas stoves



Electric stoves



Boilers



Received "Brand Power" award (19th consecutive year)

[Sales Volume]	YOY Change
Boilers	+6.1%
Gas stoves	+1.4%
Electric stoves	+9.3%

Performance

Established:1988

[Billions of Yen]	Fiscal 2018 1Q	Fiscal 2019 1Q	YOY Change	Local currency basis YOY Change
Net Sales	2.49	2.71	+9.0%	+15.4%
Operating Income	0.41	0.33	-18.3%	-13.5%

* Operating income down due to increase in materials costs

Main Products

[Sales Volume]	YOY Change
Table-top cookers	+11.5%
Built-in hobs (Stovetops)	+35.3%



Table-top cookers



Range hood



Built-in hobs (stovetops)

Expanded lineup of *ECO ONE* hybrid water heaters with heating systems

ECO ONE

Plug-in LOWBOY model

Retail price: ¥615,000–¥662,000

Launched: May 1, 2018



Model with replaceable bathtub-filling unit added to *ECO ONE* series

- Heat pump power supply can be connected to existing outdoor outlet
- Can be installed in cramped spaces (500mm deep)
- Compact 5-liter tank; separated units allow flexible installation
- 42% reduction in annual hot water running cost (compared with conventional gas water heaters)

Expanded lineup of *Kanta-kun* gas clothes dryers

ほやい
乾太くん



Retail price: ¥128,000 (5kg model);
¥ 98,000 (3kg model)

Launch: October 1, 2018 (plan)

- Appealing design with soft styling and clean-sense coloring
- “Drum disinfection mode” disinfects the drum’s interior at high temperature before drying cycle
- Powerful warm air unique to gas removes odor-causing bacteria



DELICIA, high-quality built-in hobs (stovetops), featuring improved usability

DELICIA



Retail price: ¥280,000-¥342,000
Launch: August 1, 2018 (plan)

- Includes Cocotte Dutch Oven for broader range of dishes
(* Sold separately for some models)



Cocotte Dutch Oven

- Includes Cocotte Plate for delicious direct-flame cooking without soiling the griller



Cocotte Plate

Full model change of Mytone, popular built-in hobs (stovetops) line

Mytone



Retail price: ¥145,000-¥174,000
Launch: August 1, 2018 (plan)

- Includes Cocotte Plate for delicious direct-flame cooking without soiling the griller (* Sold separately for some models)

- More beautiful, more stylish design



- “Earthquake Stop” function automatically switches cooker off in event of earthquake



Construction of new integrated logistics center started



Existing integrated distribution center (in Komaki, Aichi Prefecture), responsible for product logistics, to be relocated to Kasugai City, Aichi Prefecture and expanded

- Consolidation and rebuilding of distribution center, together with operation of East Japan Distribution Center (Atsugi City, Kanagawa Prefecture), to provide stronger logistics centered on east-west locations
- Total investment: Approx. ¥8.5 billion
- Schedule to start operations: January 2022

Rinnai selected for inclusion in three ESG indexes used by GPIF

* GPIF: Government Pension Investment Fund

Included in three ESG indexes used by GPIF as investment benchmark



FTSE Blossom
Japan

MSCI 

2018 Constituent
MSCI Japan ESG
Select Leaders Index

MSCI 

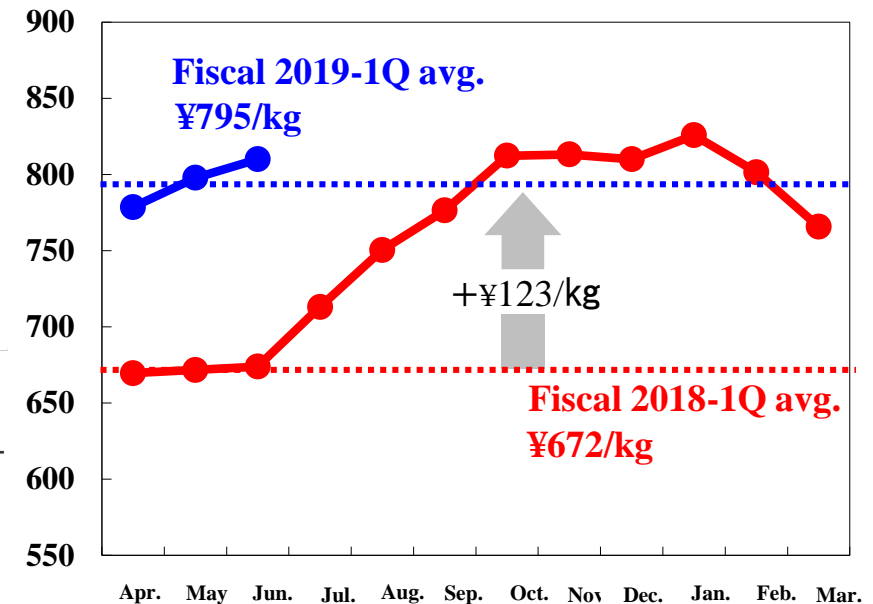
2018 Constituent
MSCI Japan Empowering
Women Index (WIN)

- Newly included in MSCI Japan Empowering Women Index (WIN)
- Included in both FTSE Blossom Japan Index and MSCI Japan ESG Select Leaders Index for the second consecutive year

Electrolytic Copper

- The copper price remained below ¥850/kg (per our forecast at start of year) despite exceeding the previous year's price

[¥/kg]



[¥/kg]

	Fiscal 2018 1Q avg.	Fiscal 2019 1Q avg.	YOY change
Avg. price	672	795	+18.4%

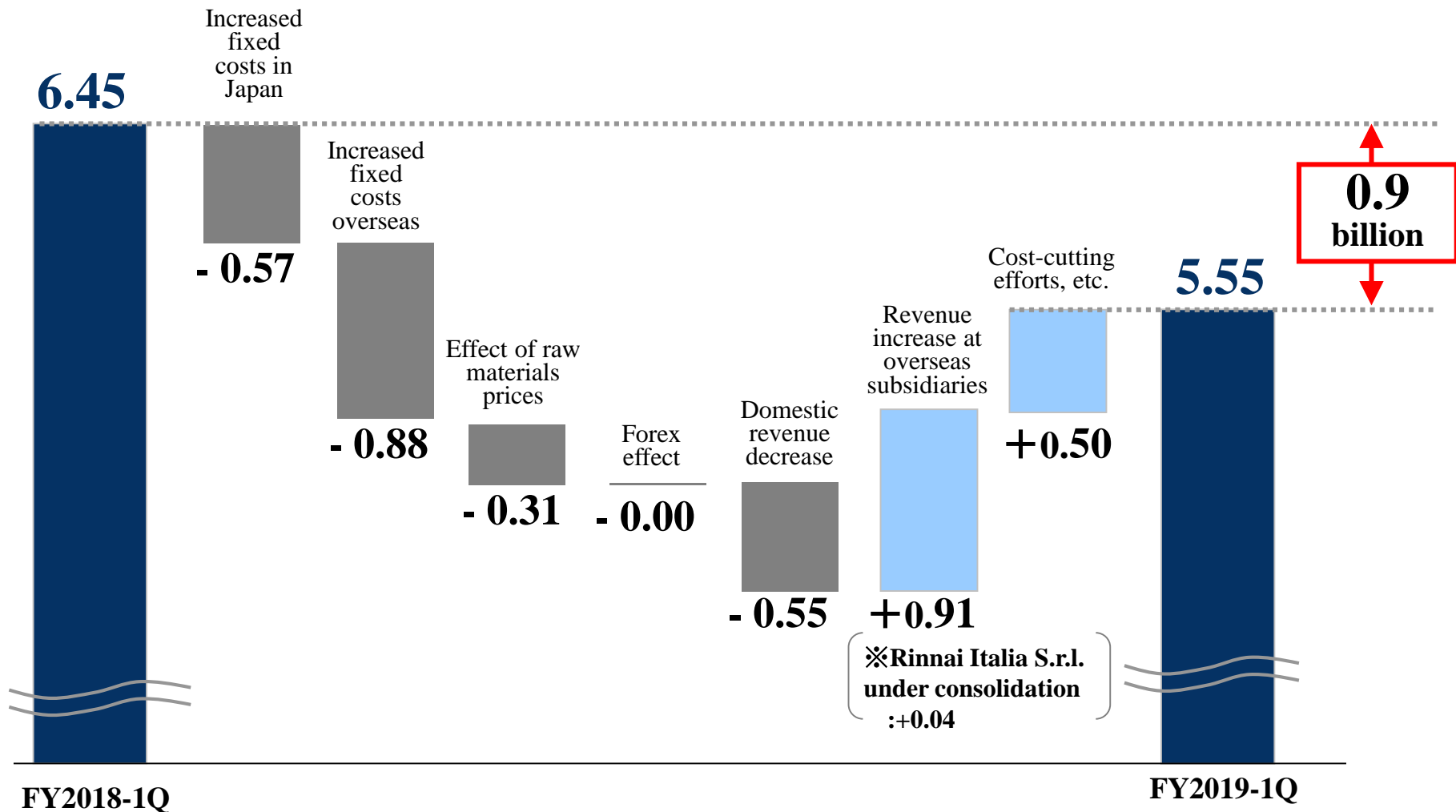
Used in: Water heaters (Heat exchangers, etc.)

Steel

- Steel materials remained mostly unchanged year on year

Fiscal 2019 (1Q): Consolidated Operating Income

[Billions of Yen]



Rinnai

Performance forecasts and other future-oriented predictions contained in these materials are based on the Company's judgments using available information. Actual results may differ from such forecasts and predictions due to changing future circumstances.